



## Retirement

**The Variable Annuity Life Insurance Company**

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**Bruce R. Abrams**  
President & CEO

September 17, 2008

Dear Valued AIG Retirement Plan Participant:

We have received questions from retirement plans and participants regarding our parent company, American International Group, Inc. ("AIG"). As you may know from media reports, on Tuesday, September 16, the U.S. government agreed to provide an \$85 billion loan to AIG that will restore liquidity and ensure AIG can continue to meet its obligations. As part of the arrangement, the government will receive a majority ownership interest in AIG and AIG will continue to be a publicly-held company. The AIG Board approved this transaction, based on its determination that this is the best alternative for all of AIG's constituencies.

AIG also announced Tuesday that its subsidiaries continue to operate normally and remain adequately capitalized. It will not reduce capital of any of its subsidiaries to meet its need for liquidity. The National Association of Insurance Commissioners (NAIC) issued a statement Tuesday to all consumers that AIG's insurance subsidiaries remain solvent and have the capability to pay claims.

It is important to note AIG is a separate legal entity that is distinct from its subsidiaries. The action taken by the U.S. Government allows AIG to satisfy its short-term liquidity pressures and to ensure that its business units remain well capitalized and highly competitive. AIG can now continue to operate its businesses without interruption.

The Variable Annuity Life Insurance Company ("VALIC"), a Texas corporation, has been in business over 50 years underwriting, issuing and guaranteeing annuity products. VALIC is financially strong with \$3.4 billion in adjusted capital and surplus as of 6/30/08. Adjusted capital and surplus means that VALIC is able to meet its obligations (such as the fixed account options and fixed annuity contracts). VALIC's capital and surplus is completely separate from our ultimate parent, AIG.

Retirement plan participant accounts may be allocated to fixed investment options, variable investment options, or a combination of fixed and variable investment options in the VALIC annuity products.

For plan investments allocated to the fixed investment options: VALIC client assets in the guaranteed fixed investment options are protected by substantial Texas state insurance regulations. The fixed investment options provide fixed rate earnings and a guarantee of principal. This guarantee is backed by the claims-paying ability of VALIC, which supports only the obligations of VALIC, not any obligations of AIG.

For plan investments allocated to variable investment options: client assets in the variable annuity account options are invested in mutual funds regulated by the SEC. A mutual fund's assets are owned by its shareholders and managed by a professional portfolio manager; thus, such funds are not affected by business actions involving AIG or AIG Retirement. Further, since VALIC is domiciled in the State of Texas, Texas state law requires insurance company separate accounts to be held apart from the rest of the company assets. Therefore, the variable annuity separate account assets in these mutual funds are held for the exclusive benefit of the clients and their beneficiaries. This insulation provides safety for each client, and ensures that the account is not subject to claims from any person or entity other than a contract owner, plan participant or beneficiary.

Finally, on Saturday, the Southeast Region of Texas, including the city of Houston, was impacted by a devastating hurricane, Ike. We appreciate your patience and understanding as resources are strained with many people impacted in a major metropolitan area. Our operations remain open. We have a robust disaster recovery plan in working order. Many of the activities typically handled in Houston are being managed seamlessly from our Amarillo site, which was unaffected by Ike. If you experience extended waiting periods to speak to a client care specialist, the following additional resources are also available:

- AIG Retirement Client Care Center: 800-448-2542
- Forms may be faxed to 877-202-0187
- [aigretirement.com](http://aigretirement.com) (Access your account - see New and Noteworthy section)
- Your local AIG Retirement Financial Advisor

Thank you for the opportunity to respond to your concerns. We take your questions seriously and trust that this information has been helpful. Thank you also for your continued confidence in our company and for your patience during this extraordinary time.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Adams". The signature is fluid and cursive, with a long horizontal stroke at the end.